

State Employee Benefits Committee
April 27, 2009, 1:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on April 27, 2009 at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, OMB, Director,
Statewide Benefits
Faith Rentz, OMB, Statewide Benefits
Leslie Ramsey, OMB, Statewide Benefits
Ann Skeans, OMB, Statewide Benefits
Vicki Ford, OMB, Financial Operations
Mary Thuresson, OMB, Statewide Benefits
Casey Oravez, OMB, Financial Operations
Regina Bailey, OMB, Wellness
Theresa Strawder, OMB, Wellness
Aaron Schrader, OMB, Wellness
Andrew Kerber, Department of Justice
Tina Hession, OMB, PHRST
Dave Craik, Office of Pensions
Nick Adams, Deputy State Treasurer
Gary Pfeiffer, Secretary of Finance
Henry Smith, DHSS
Russ Larson, Controller General
Lori Christiansen, Office of the Controller
General

Ed Tos, SEBAC Chair/DOL
Christine Long, SEBAC/ DHSS
Barbara Summers, SEBAC
Debbie Scanlan, DOE
Judy Anderson, DSEA
Tim Barchak, DSEA
James Harrison, DSEA, Retired
Stephen P. Smith, DSEA – Retired
Jim Testerman, DSEA - Retired
Dave Leiter, DHSS, Facilities Op.
Mike Morfe, AON
Elaine Edwards, City of Dover
Rhonda Walker, City of Dover
Lionel Gilibert, U of D
Joe Morocco, HMS
Andrew Brancati, BCBSD
Faith Joslyn, BCBSD
Mike North, Aetna
Julie Caynor, Aetna

Agenda Items Discussed:

Introductions/Sign In

Ms. Visalli called the meeting to order at 1:05 p.m. Introductions followed.

Approval of Minutes

Ms. Visalli asked for a motion to approve the March 30, 2009 SEBC minutes. Mr. Larson made the motion to approve the minutes and Mr. Smith seconded the motion. The minutes were approved with unanimous voice vote.

Director's Report

Ms. Lakeman stated that Open Enrollment begins May 4, 2009. Calls are already coming in. The Call Center hours will be 8:00 a.m. to 4:30 p.m. each day during Open Enrollment for questions about navigating the on-line enrollment system and benefit questions. The elimination of the 30 before 90 day fill for prescription will be called the "Maintenance Medication Program." Medco will send out letters, beginning June, to all active members to alert them about the program. There is an extended pay program for anyone who wants medications by mail. A credit card will be required and the member will be billed in 30 day increments. There is a small service charge. For

a \$100 prescription it would be 21 cents for each month. This will not be advertised by the Statewide Benefits Office; however, Medco customer service representatives will discuss with members as appropriate. Five vendors have confirmed their intention to bid on the FSA and Pre-Tax Commuter RFP that was released earlier in April. Responses are due to the Statewide Benefits Office on May 8th. A recommendation to the SEBC will likely occur at the July SEBC meeting.

SEBAC Comment

Mr. Tos stated that the majority of the members of SEBAC met last week and discussed two of the items on today's SEBC agenda. Members support continuation of the DelaWell Program using the balance of funds previously allocated and they also support the Highest Ever Salary Program which will allow Minnesota Life to use a member's highest ever salary as the basis of their life insurance coverage – items 7 and 8 on the Agenda.

Ms. Visalli changed the order of items on the Agenda for Public Comments to be heard before any votes took place.

Public Comments

Stephen P. Smith – DSEA, Retired – sees a trend of comparing state workers benefits with the private sector that left 48 million people without any medical benefits and salaries too high to get Medicaid. Legislative changes are permanent and will not be given back without a fight. Pay and benefit reductions will not bring in quality workers. With the hiring freeze, the state employees are already being asked to do more and more with less as the population continues to grow and demand more.

James Harrison – DSEA – Retired – stated a philosophical change is needed. Doing away with the free basic state plan or Double State Share will produce horrible results and requested all legislative initiatives be withdrawn.

James Testerman – DSEA – Retired – agreed with all that had been said. A 50 percent increase is plenty for some time to come.

Dave Leiter – DHSS – State Employee – honor, duty, trust. People who work for the state were lead to believe they were going to be taken care of. You can't just take it away from them. The public sector – the government wants to charge Enron and you sit here and say you're going to do the same thing, the state. It doesn't make sense.

Ms. Visalli thanked all who gave comments.

Fund and Equity Report – Vicki Ford (handout)

An overview of the March Fund and Equity Report was presented. There is a \$25.2M balance which is a slight decrease from February due to five weeks of claim payments.

Retiree Health Benefits Report – Faith Rentz (handout)

The Retiree Health Subcommittee was formed as per Section 27 of Senate Bill No. 300 of the 144th General Assembly:

“Notwithstanding any provision of the Delaware Code to the contrary, the State Employee Benefits Committee is authorized to form a subcommittee for the purpose of exploring employee health benefit design and program eligibility of retiree health benefits. The committee shall submit a report outlining these options to the Governor, the Co-Chairs of the Joint Finance Committee, and the State Employee Benefits Committee by April 15, 2009.”

A request to extend the due date to May 15, 2009 was submitted by the Chair of the State Employee Benefits Committee.

In May 2005, Executive Order No. 67 formed the original Retiree Benefit Study Committee. It was the State's first effort at addressing GASB Statement 45 (Accounting & Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions – OPEB). The Committee's report was released in October 2005. It contained an initial OPEB actuarial valuation, an understanding of the State's unfunded liability and outlined possible plan design and eligibility plan modifications to reduce the OPEB liability.

In July 2007, the OPEB Trust was created to accumulate and invest assets to pay the state share of future retiree health insurance premiums as per Section 115 of the IRS Code. The Trust is a single-employer defined benefit plan and eligibility and state share contribution toward post retirement benefits are based upon years of state service.

The OPEB Trust funding policy includes pay-as-you-go funding for current retirees and funding for future benefits is provided at a rate established through the State's operating budget. Contribution requirements of plan members and the state are established in Del. C. Title 29, c. 52 and amended by the General Assembly. Funds are invested under the management and control of DPERS Board of Pension Trustees. For Fiscal Year 2009, agencies and school districts contribute a rate of 0.54% of payroll. Other contributions include \$30.5M transferred from the Group Health Insurance fund in Fiscal Year 2008.

Annual OPEB Cost/Net OPEB Obligation figures were presented in detail. The actuarial accrued liability for benefits as of June 30, 2008 is just under \$5.5 billion. The annual required contribution for Fiscal Year 2008 is \$464.6 million less employer contributions (pay go) of \$183.2 million for a net OPEB obligation of \$281.4 million. Charted OPEB funding and other Delaware progress toward reducing retiree health liability was also explained. Public sector progress was presented. Executive Order No. 67 options from 2005 (in chart format) were explained.

The Retiree Health Subcommittee (Section 27 of Senate Bill 300) gave recommendations and next steps. They found the options provided in the 2005 Report to be unchanged in terms of viability and reductions to the annual required contribution. Issues raised by GASB 45 impact many policymakers and areas of state government. There are a myriad of strategies, choices and options. Many present complex legal, accounting and tax questions. The outcome of these decisions is not entirely predictable and there are many unknowns related to Federal health care reform. The subcommittee suggests a multi-pronged, incremental approach. Consideration should be given to reviewing options to modify eligibility for retiree health benefits; exploring the implications and cost savings to establish rates and contributions for non-Medicare retirees appropriately;

identifying benefits of eliminating zero cost sharing for Medicare-eligible retirees; researching the impacts of normalizing retiree Medicare eligible retiree benefits levels consistent with Non-Medicare levels; continuing to explore savings related to Medicare Advantage Plans/Prescription Drug Plans; and exploring Health Reimbursement/Health Savings Accounts. The subcommittee suggests continued analysis of various efficiency improvements, cost containment and preventive measures. The final report is to be completed and distributed by May 15, 2009.

Questions were answered and details explained by Ms. Rentz and Mr. Morfe. Ms. Rentz stated the non-Medicare group of retirees cost more than they contribute. The report will not contain any hard or fast recommendations and is intended to provide policymakers with an update on the work done to date and keep them aware of options worthy of additional research and consideration.

Minnesota Life “Highest Ever Salary” Program - Brenda Lakeman (handout)

Following the release of Governor Markell’s proposed budget which proposes a salary decrease for active state employees, Leslie Ramsey, our project lead for the Life Insurance Program, reached out to Minnesota Life, our vendor, to assess the impact of a salary reduction on life insurance coverage. The current plan design as of January 1, 2003 was reviewed.

Effective July 1, 2009, it was proposed that coverage in effect as of June 30, 2009 remain unchanged for current enrollees. There will be no decrease in GUL and AD&D coverage amount, if salary decreases. Employees can reduce their coverage by changing their salary increment amount based on their highest ever salary.

Benefits of the change include: AD&D coverage amount will not decrease if annual salary decreases; current rates will not be affected by this change; plan benefits will otherwise remain unchanged; and if an employee takes another position with a lower annual salary, they still maintain the “highest ever salary” coverage amount. Examples were given for various situations.

Requirements for initiation of change were explained. A decision is needed today in order to amend the program prior to June 30, 2009. No file changes are required of PHRST. Enrollment materials will be updated. Communication will be sent out to active employees.

The financial strength of Minnesota Life as rated by major rating services was presented in chart format. Questions and answers followed. Secretary Pfeiffer asked if the salaries would be tracked say 30 years from now. Ms. Lakeman confirmed they will compare the current salary as of June 30, 2009 to whatever your salary is in the future. Ms. Visalli added that this will help employees to maintain their maximum coverage.

Ms. Visalli asked for a motion to accept the plan changes for the Minnesota Life “Highest Ever Salary Program”. Secretary Pfeiffer made the motion and Mr. Smith seconded the motion. The motion carried with a unanimous voice vote.

DelaWell Extension

Ms. Visalli explained that this program was funded a number of years ago. No new money is being requested to move forward with wellness initiatives. Currently there is a contract with Staywell and the DelaWell team would like to continue it through March 2011 using existing funds. Ms. Visalli asked for a motion to continue the program as presented at the February 12, 2009 SEBC meeting with the monies already set aside. Secretary Pfeiffer made the motion and Mr. Smith seconded the motion. Upon unanimous voice vote the motion carried.

Other Business

None.

Ms. Visalli stated it was necessary to have an Executive Session and asked for a motion to go into Executive Session. Ms. Christiansen made the motion and Mr. Smith seconded the motion. Upon unanimous voice vote the motion carried. The SEBC adjourned to Executive Session at 2:00 p.m.

The SEBC concluded Executive Session at 2:40 p.m. There being no more business, Ms. Visalli asked for a motion to adjourn the meeting. Secretary Pfeiffer made the motion and Lori Christiansen seconded the motion. Upon unanimous voice vote the motion carried. The meeting adjourned at 2:41 p.m.

Respectfully submitted,

Mary K. Thuresson
Administrative Specialist
Statewide Benefits Office, OMB